

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 IO-13 OIC-02 GSA-01 JUSE-00 FTC-01

AF-08 ARA-06 EA-07 EUR-12 NEA-10 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

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FM USMISSION GENEVA

TO SECSTATE WASHDC 3592

INFO ALL OECD CAPITALS 112

AMEMBASSY ALGIERS

AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMEMBASSY LIMA

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY PRAGUE

AMEMBASSY PRETORIA

AMEMBASSY SOFIA

AMEMBASSY TUNIS

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EMIN, UN

SUBJECT: INTERNATIONAL LEAD/ZINC STUDY MEETING (NOVEMBER 4-12)

BEGIN SUMMARY. ANTI-TRUST INVESTIGATION BY U.S. JUSTICE DEPT.
OF FOREIGN PRODUCERS OF REFINED ZINC WAS PARTICULARLY CONTENTIOUS
ISSUE AT ILZSG MEETING; SEVERAL COUNTRIES STATED THAT INVESTIGATION
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COULD IMPAIR ACTIVITIES OF ILZSG, AND FRENCH DEL FURTHER

SUGGESTED THAT THEIR GOVERNMENT CONSIDERING WHAT OFFICIAL ACTION IT SHOULD TAKE, LABELING THE INVESTIGATION AN "OBSTACLE TO INTERNATIONAL TRADE". STATISTICAL FORECASTS FOR 1977 SHOW LEAD SUPPLY/DEMAND RELATIVELY IN BALANCE, BUT ZINC FORECASTS SHOW SUBSTANTIAL SURPLUS. END SUMMARY.

2. THE U.S. JUSTICE DEPARTMENT ANTI-TRUST INVESTIGATION OF FOREIGN PRODUCERS OF REFINED ZINC OVERSHADOWED THE 20TH SESSION OF THE ILZSG HELD AT GENEVA NOVEMBER 4-12, 1976. LAST SPRING, THE U.S. JUSTICE DEPARTMENT SENT LETTERS TO SOME 24 FOREIGN AND SIX AMERICAN PRODUCERS OF ZINC INQUIRING INTO THE PRICING OF ZINC EXPORTS TO THE U.S. THIS LETTER ASKED ABOUT MEETINGS OF SLAB ZINC REFINERS HELD IN GENEVA AND BRUSSELS LAST YEAR. THE JUSTICE DEPARTMENT ACTION DREW SHARP STATEMENTS FROM THE DELEGATIONS OF CANADA, AUSTRALIA, AND FRANCE, AND JAPAN ASSOCIATED ITSELF WITH THESE STATEMENTS. AUSTRALIAN AND CANADIAN STATEMENTS EMPHASIZED THE CONSTRUCTIVE ROLE OF THE ILZSG OVER THE YEARS IN CONTRIBUTING TO THE TRANSPARENCY OF THE LEAD AND ZINC MARKETS, THEREBY IMPROVING THE ABILITY OF BOTH PRODUCERS AND CONSUMERS OF THE TWO METALS TO MAKE SOUND DECISIONS ON AN INDIVIDUAL BASIS. BOTH GOVERNMENTS EXPRESSED CONCERN THAT THE INVESTIGATION OF THE U.S. DEPARTMENT OF JUSTICE MIGHT REDUCE THE EFFECTIVENESS OF THE ILZSG AND INHIBIT THE WILLINGNESS OF THE WORLD ZINC INDUSTRY TO PARTICIPATE IN ITS ACTIVITIES. IN AN EVEN MORE SHARPLY WORDED INTERVENTION THE FRENCH DELEGATION NOTED THAT ITS GOVERNMENT IS CONSIDERING WHAT OFFICIAL ACTION IT SHOULD TAKE WITH RESPECT TO THIS OBSTACLE TO INTERNATIONAL TRADE, AND AGAINST THE POSSIBLE INTRUSION OF AMERICAN INVESTIGATORS ONTO FRENCH SOIL. IN THE CORRIDORS, SEVERAL DELEGATIONS DISCUSSED THE POSSIBILITY OF THE ILZSG ITSELF TAKING SOME SORT OF OFFICIAL ACTION WITH RESPECT TO THE JUSTICE DEPARTMENT INVESTIGATION.

2. IN HIS RESPONSE TO THESE STATEMENTS USDEL (HEWITT) EMPHASIZED THE STRONG SUPPORT GIVEN TO THE ILZSG OVER THE YEARS BY THE USG AND THE FULL PARTICIPATION OF U.S. INDUSTRY. HE NOTED THAT WE CONSIDER OUR PARTICIPATION IN THE ILZSG AN IMPORTANT PART OF OUR FOREIGN ECONOMIC POLICY, AND THAT THE ILZSG IS A MODEL OF WHAT CAN BE ACCOMPLISHED BY INTERNATIONAL COOPERATION IN THE COMMODITIES FIELD. HE POINTED OUT THAT THE LETTERS SENT BY THE LIMITED OFFICIAL USE

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JUSTICE DEPARTMENT DO NOT SPECIFICALLY MENTION THE ILZSG, AND THAT THERE IS NO INDICATION THAT THE JUSTICE DEPARTMENT CONSIDERS THIS INTER-GOVERNMENTAL ORGANIZATION TO BE CAUSE FOR CONCERN UNDER EXISTING ANTI-TRUST LEGISLATION. HOWEVER, HE EMPHASIZED THE RIGHT OF EVERY COUNTRY TO REGULATE TRADE WITHIN AND ACROSS ITS BORDERS, AND THAT THE BASIC PURPOSE OF ANTI-TRUST LEGISLATION IS TO CONTRIBUTE TO THE FREE MOVEMENT OF TRADE BY ENHANCING FREE COMPETITION. IN PRIVATE CONVERSATIONS, HE COUNSELED AGAINST

OVERREACTION TO THE INVESTIGATION OF THE JUSTICE DEPARTMENT WHICH IS STILL IN ITS EARLY STAGES, AND THAT NO ACTION BE TAKEN TO INVOLVE THE ILZSG AS AN ORGANIZATION IN THE MATTER AT THIS TIME.

3. COMMENT: BOTH FOREIGN PRODUCERS OF ZINC AND THEIR GOVERNMENTS ARE CLEARLY TAKING THE JUSTICE DEPARTMENT INVESTIGATION VERY SERIOUSLY, AND ARE CONSIDERING THE WAYS IT MAY AFFECT BOTH PRIVATE OPERATIONS AND GOVERNMENT POLICIES. THEY ARE ALSO CONCERNED OVER THE DEGREE TO WHICH THE ILZSG, WHICH HAS BEEN A UNIQUELY SUCCESSFUL INTERNATIONAL ORGANIZATION, MAY BE ADVERSELY AFFECTED. IN THE EYES OF SOME GOVERNMENTS, THE JUSTICE DEPARTMENT INVESTIGATION APPARENTLY CASTS DOUBT ON THE SERIOUSNESS OF PURPOSE OF THE USG IN ITS INTENTION TO SEEK MORE EFFECTIVE MEANS FOR INTERNATIONAL COOPERATION IN THE COMMODITIES FIELD.

4. THE PRINCIPAL BUSINESS OF THE MEETING WAS ESTIMATING WORLD SUPPLY/DEMAND OF LEAD AND ZINC. STATISTICAL ESTIMATES FOR 1976 SHOW THAT THE DEMAND FOR BOTH LEAD AND ZINC RECOVERED FROM THE VERY LOW LEVELS OF 1975. ALTHOUGH FURTHER GROWTH IS EXPECTED IN 1977, THE RECORD CONSUMPTION LEVELS OF 1973 ARE NOT EXPECTED TO BE REACHED. LEAD CONSUMPTION, WHICH FELL BY MORE THAN 14 PERCENT IN 1975, IS EXPECTED TO RISE BY 10 PERCENT IN 1976 TO 3.5 MILLION METRIC TONS AND BY A FURTHER 7 PERCENT IN 1977 IN CLOSE BALANCE WITH PRODUCTION. HOWEVER, THE PROJECTIONS FOR ZINC METAL SHOW A SUBSTANTIAL MARKET IMBALANCE. PRODUCTION, ESTIMATED AT 4.6 MILLION MT IN 1977 OR AN 11 PERCENT INCREASE OVER 1976, WOULD EXCEED CONSUMPTION BY 134 THOUSAND METRIC TONS WITH NEXT EXPORTS TO SOCIALIST COUNTRIES OF 76 THOUSAND TONS. THIS IMBALANCE OF 210 THOUSAND TONS OCCASIONED NUMEROUS STATEMENTS BY PRODUCING COUNTRIES, INCLUDING A SUGGESTION BY A FEW DELEGATIONS THAT THE STUDY GROUP MIGHT CONSIDER MAKING RECOMMENDATIONS TO PRODUCING COUNTRIES. MANY DELEGATIONS EXPRESSED THE OPINION THE PRODUCTION FORECASTS WERE LIKELY TO BE TOO HIGH IN LIMITED OFFICIAL USE

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TERMS OF ANTICIPATED DEMAND AND THAT THIS WOULD LEAD TO ADJUSTMENT DECISIONS BY INDIVIDUAL PRODUCERS DURING NEXT YEAR. IT WAS ALSO NOTED THAT DUE TO THE UNCERTAINTIES FACING THE WORLD ECONOMY, FORECASTS OF AGGREGATE ECONOMIC ACTIVITY WERE DIFFICULT.

5. IN THE ADMINISTRATIVE AREA THE INTENTION TO MOVE THE SECRETARIAT OF THE ILZSG FROM NEW YORK TO LONDON IN THE COURSE OF 1977 WAS REAFFIRMED. ALSO A CANADIAN, MR. KEITH BUCK, WAS SELECTED BY A NARROW MARGIN OVER POLISH AND AUSTRALIAN CANDIDATES TO BE THE NEW SECRETARY GENERAL OF THE ILZSG. THE PROCESS OF SELECTION WAS A DELICATE ONE, CAPTAINED BY USDEL AS CHAIRMAN OF THE STANDING COMMITTEE, WHICH LEFT NATIONAL PRIDE FULLY INTACT AND INTERNATIONAL RELATIONSHIPS UNBLEMISHED.

6. USDEL WAS ELECTED UNANIMOUSLY AS SECOND VICE CHAIRMAN OF

THE INTERNATIONAL LEAD AND ZINC STUDY GROUP. THE ILZSG IS CHAIRED
BY THE FRENCH DELEGATE WHILE THE SOVIET DELEGATE HOLDS THE OFFICE
OF FIRST VICE CHAIRMAN. USDEL WILL CONTINUE TO SERVE AS ACTING
CHARIMAN OF THE STANDING COMMITTEE, WHICH IS CONCERNED MAINLY
WITH ADMINISTRATIVE MATTERS, UNTIL JUNE 1977 FOLLOWING THE MOVE
OF THE SECRETARIAT FROM NEW YORK TO LONDON.ABRAMS

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